

**2017 Pollution Control Credit**

**For information or help, call one of the numbers listed:**

Phoenix (602) 255-3381  
 From area codes 520 and 928, toll-free (800) 352-4090

**Tax forms, instructions, and other tax information**

If you need tax forms, instructions, and other tax information, go to the department's website at [www.azdor.gov](http://www.azdor.gov).

**Income Tax Procedures and Rulings**

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

**Publications**

To view or print the department's publications, go to our website and click on *Publications*.

**General Instructions**

Arizona Revised Statutes §§ 43-1081 and 43-1170 provide nonrefundable individual and corporate income tax credits for expenses incurred during the taxable year to purchase real or personal property that is used within Arizona in the taxpayer's trade or business to control or prevent pollution. The amount of the credit is equal to 10% of the purchase price, limited to a maximum credit of \$500,000 in a taxable year.

**Qualifying property includes** a structure, building, installation, excavation, machine, equipment, and any attachment to, or addition to, or reconstruction, replacement, or improvement of that property. Property eligible for the tax credit includes only that portion of the property directly used, constructed, or installed in Arizona to prevent, monitor, or reduce air, water, or land pollution that results from the taxpayer's direct operating activities in conducting a trade or business in this state. The property must meet or exceed rules or regulations adopted for this purpose by the United States Environmental Protection Agency, the Arizona Department of Environmental Quality, or a political subdivision of Arizona.

**Amounts that qualify for the credit** must be includible in the taxpayer's adjusted basis for the property. The adjusted basis of any property for which the taxpayer has claimed a credit must be reduced by the amount of credit claimed for that property.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

The pollution control equipment credit claimed on Form 315 is in lieu of the agricultural pollution control credit claimed on Form 325 with respect to the same equipment or expense.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the *pro rata* share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

**NOTE – To claim this credit:**

- **Individual taxpayers**, complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. *Include both completed forms with your tax return.*
- **C corporations, S corporations claiming this credit at the corporate level, and exempt organizations with UBTI**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. *Include both completed forms with your tax return.*
- **S corporations electing to pass this credit through to its shareholders**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. *Also, complete Form 315-S for each shareholder of the S corporation. Provide each shareholder a copy of his or her completed Form 315-S. Include Form 300, Form 315, and one copy of each completed Form 315-S with your tax return.*
- **Partnerships**, complete this credit form. *Also, complete Form 315-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 315-P. Include Form 315 and one copy of each completed Form 315-P with your tax return.*

**Specific Instructions**

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service individual taxpayer identification number (ITIN). Taxpayers that fail to include their TIN may be subject to a penalty.

**Part 1 - Schedule of Equipment and Current Taxable Year's Credit Calculation**

**Lines 1 through 10 -**

**Column (a):** Enter the date that the qualifying property was placed in service or the date it is expected to be placed in service in Arizona.

**Column (b):** Enter a brief description of the property used in the taxpayer's business in Arizona to control or prevent pollution.

**Column (c):** Enter the total cost incurred during the taxable year for qualifying property used to reduce pollution. For additional information, see the definition of "*Qualifying property*" in column 1 of this page.

If there are more than 10 items of qualifying property, complete additional schedules. Include the completed schedules with Form 315.

**Line 11 -**

Add lines 1 through 10 in column (c) and enter the total.

**Line 12 -**

Enter the total amounts in column (c) from additional schedules.

**Line 13 -**

Add lines 11 and 12 and enter the total. This is the total cost incurred during this taxable year of all items of property for which the taxpayer is claiming the credit.

**Line 14 -**

Multiply line 13 by 10% (.10) and enter the result.

**Part 2 - Credit Passed Through From Partnerships or S Corporations**

**NOTE:** *If you received a pass through of this credit from more than one partnership and/or S corporation, total the amounts received from all Form(s) 315-P and/or Form(s) 315-S on a separate schedule and include it with this form. Include a copy of each Form 315-P and/or Form 315-S you received with your return.*

**Line 15 -**

Enter the total amount of this credit passed through from partnerships on Form(s) 315-P, line 4.

**Line 16 -**

Enter the total amount of this credit passed through from S corporations on Form(s) 315-9, line 4.

**Part 3 - Total Current Year Credit****Line 17 -**

Add lines 14 through 16. Enter the total.

**Line 18 - Maximum Credit Allowed**

The maximum amount of credit you may claim in a taxable year is \$500,000.

**Line 19 -**

Enter the lesser of line 17 or line 18. This is your maximum current year credit for pollution control.

**Partnerships** - continue to Part 4.

**S Corporations passing this credit through to its shareholders** - skip to Part 5.

**All others** - go to Part 6.

**Part 4 - Partnerships Passing Through the Credit**

Partnerships qualifying for this credit must pass it through to its partners. Proceed to the instructions on page 5 for completing Form 315-P.

Each partner is entitled to only a *pro rata* share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim this credit. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

**Part 5 - S Corporation Credit Election and Shareholder's Share of the Credit****Lines 20, 20a, & 20b - S Corporation Credit Election**

The S corporation must complete line 20 and line 20a or line 20b. The S corporation must make an irrevocable election either to claim the current taxable year credit at the corporate level or to pass the credit through to its shareholders. The S corporation election is made by:

- Entering the date the S corporation taxable year ends in the box provided on line 20.
- Checking the box on line 20a electing to claim the current taxable year credit at the corporate level; or,
- Checking the box on line 20b electing to pass the current taxable year credit through to its shareholders.
- The election statement must be signed by an officer of the S corporation who is also a signatory to Arizona Form 120S.

If the S corporation elects to claim the credit at the corporate level, continue to Part 6.

If the S corporation elects to pass this credit through to its shareholders, proceed to the instructions for completing Form 315-S on page 4.

If passing this credit through to the shareholders:

- Complete Form 315-S for each shareholder.
- Provide a copy of completed Form 315-S to each shareholder.
- Include a copy of each completed Form 315-S with your tax return.
- Keep a copy of each completed Form 315-S for your records.

Each S corporation shareholder is entitled to only a *pro rata* share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

**NOTE:** *Trusts and estates which are shareholders of an S corporation are not eligible to claim these credits. However, the share of a S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

**Part 6 - Available Credit Carryover**

Complete Part 6 only if you claimed this credit for prior taxable years and the credit exceeded the Arizona income tax liability for those taxable years.

**S corporations**, if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 6.

**Lines 21 through 25 -**

Enter the applicable taxable year(s) in column (a) on lines 21 through 25. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which was previously used or expired. Subtract the amount in column (c) from column (b) and enter the difference in column (d).

**Line 26 -**

Add the amounts entered on lines 21 through 25 in column (d). Enter the total on line 26, column (d). This is the total pollution control credit carryover available for the current taxable year.

**Part 7 - Total Available Credit****Line 27 -**

*Individuals, C corporations, S corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI* - enter the current year's credit from Part 3, line 19.

*Partnerships*, enter "0".

*S corporations that elected to pass the current year credit through to shareholders* - enter "0".

*Individuals* - also enter this amount on Form 301, Part 1, line 9, column (a).

*C corporations, including S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - also enter this amount on Form 300, Part 1, line 5, column (a).

This is your current taxable year's pollution control credit.

**Line 28 -**

Enter the amount from Part 6, line 24, column (d). This is your total available credit carryover.

*Individuals* - Also, enter this amount on Form 301, Part 1, line 9, column (b).

*C corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - Also, enter this amount on Form 300, Part 1, line 5, column (b).

**Line 29 -**

Add line 27 and line 28. This is the total available pollution control credit that may be applied to the current taxable year's tax liability.

*Individuals* - enter the total. Also, enter the total on Form 301, Part 1, line 9, column (c).

*C corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* - enter the total. Also, enter the total on Form 300, Part 1, line 5, column (c).

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## Form 315-P, Partner's Portion of the Credit

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Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 315-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 315-P, including additional schedules as needed.

### Part 1 – Partnership and Partner Information

#### Line 1 –

Enter the partnership's name and EIN in the spaces provided.

#### Line 2 –

Enter the partner's name and EIN, TIN, or SSN, and ownership percentage in the spaces provided.

### Part 2 – Distribution of the Credit

#### Line 3 –

Enter the total amount of the partnership's pollution control credit from Form 315, Part 3, line 19.

#### Line 4 -

Multiply the amount on line 3 by the partner's ownership percentage shown on line 2(c). Enter the result. This is the partner's portion of the credit.

*Each partner will use this form to complete their own Form 315.*

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## Form 315-S, S Corporation Shareholder's Portion of the Credit

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Enter the taxable year for which this credit is being passed through to your shareholders.

Complete Form 315-S for each shareholder of the S corporation, *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with a completed copy of Form 315-S, including additional schedules as needed.

### Part 1 – S corporation and Shareholder Information

#### Line 1 –

Enter the S corporation's name and EIN in the spaces provided.

#### Line 2 –

Enter the shareholder's name and EIN, TIN, or SSN, and ownership percentage in the spaces provided. If the shareholder is an exempt organization with UBTI, enter the exempt organization's name, EIN, and ownership percentage.

### Part 2 - Distribution of the Credit

#### Line 3 –

Enter the total amount of the S corporation's pollution control credit from Form 315, Part 3, line 19.

#### Line 4 -

Multiply the amount on line 3 by the shareholder's ownership percentage shown on line 2(c). Enter the result. This is the shareholder's portion of the credit.

*Each shareholder will use this form to complete their own Form 315.*